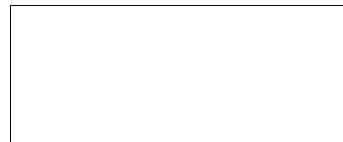




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SOUTH KOREA: Release of Kim Dae Jung

//Foreign Minister Lee told the US Ambassador in Seoul yesterday that President Chun had decided to free dissident leader Kim Dae Jung and a number of his associates.// []

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//Kim, who has been in poor health for some time, is to be released today and hospitalized in Seoul before leaving with his family next week for an extended stay in the US. The actual announcements of the suspension of Kim's 20-year sentence and the release of his associates will be made separately.// []

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//The Foreign Minister acknowledged the role of the US Government's quiet diplomacy in the decision. He stressed, however, that the release is at Chun's personal behest and is designed to create an atmosphere of national harmony and unity.// []

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Comment: //Chun has intervened twice in the past two years to reduce Kim's death sentence, which was imposed for seditious activity leading to the incident in Kwangju in 1980. The President apparently believes that he can withstand opposition from military hardliners to Kim's release. The public will welcome the move as a major step toward national reconciliation, but dissidents will view it with suspicion.// []

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//By capitalizing on Kim's expressed desire to go to the US, Chun is in effect exiling him and reducing his ability to become involved in the domestic dissident movement. Kim's release also is aimed at removing an irritant in South Korea's relations with the US, Japan, and Western Europe. Nonetheless, South Korean authorities probably have some lingering concerns that Kim could become a rallying point for antiregime elements in the US, which might adversely affect bilateral relations.//
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MEXICO: De la Madrid's Political Initiatives

President de la Madrid--who will face formidable forces increasingly opposed to austerity--is using political initiatives and gestures to reassure Mexicans that he will be able to guide the country through troubled times.

The President is proposing a law to reduce corruption among public officials and has created a Comptroller General's office to monitor government agencies. In addition, he plans to reorganize and retrain federal and Mexico City police along more professional lines.

De la Madrid also has introduced legislation to strengthen the independence of municipal governments by giving cities the power to levy taxes. He has announced that he plans to make public education a state responsibility rather than a federal one.

To increase efficiency, the President has reorganized his cabinet by consolidating energy, mining, and state-owned industries into one ministry. He is proposing a constitutional amendment to shorten the time between the election and inauguration of a president from five to three months.

//De la Madrid is establishing his own distinctive style, putting himself closer to the people than former President Lopez Portillo. For example, he attended the inauguration of the governor of Chiapas and did not make a major speech. His visit demonstrated the new administration's concern over southern border areas and will serve to strengthen the hand of the new governor there.//

Comment: These steps are likely to impress most Mexicans that the new President is in firm control. The austerity measures the government is imposing almost certainly will cause tension, however, and special interest groups may soon view de la Madrid's political initiatives as a mere sideshow. If leaders of the ruling party conclude that his reform efforts threaten their power, they probably will use all their leverage behind the scenes to dissuade him.

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ROMANIA: Energy Crisis

Energy shortages are disrupting the economy and could provoke serious unrest in the months ahead. [redacted]

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Consumers have been particularly hard hit. [redacted]

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[redacted] The plant closings and cutbacks in public transportation are keeping thousands of workers at home, resulting in lost wages. [redacted]

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Hundreds of commuters last month protested the curtailment of public transportation, and disgruntled consumers stormed a warehouse in the southeast. [redacted]

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Comment: The energy situation will not improve over the next few months, and additional layoffs and cutbacks in consumption could provoke major large-scale disturbances. Prolonged economic and social dislocations could threaten Ceausescu's heretofore secure political position. [redacted]

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DOMINICAN REPUBLIC: Problems Ahead

President Jorge Blanco is concerned that economic problems will soon lead to popular discontent and leftist agitation.

//Early this month Jorge Blanco told the US Ambassador that the extreme left is planning to foment labor unrest and violent demonstrations. He speculated, moreover, that unrest in Haiti might spill over the border.//

The government's austerity measures already have prompted some adverse reactions. Leftist students demanding university budget increases held demonstrations last month. According to press reports, 60,000 sugar workers are threatening to strike if they do not receive a bonus at the end of the year.

Comment: The financial outlook is grim for January and February--months of low sugar exports and government revenues. The situation should ease by spring, however, as sugar exports increase and revenues from proposed tax hikes are received. The government also is likely to reach an accord soon with the IMF for a \$400 million loan that probably will stimulate other foreign financing.

Jorge Blanco's concern reflects his impatience over the delay in economic recovery. He told the nation last month that improvement was imminent, but he now recognizes that the optimism engendered by his election in May is fading. He apparently hopes that the threat of more unrest in the Caribbean will lead to increased US economic assistance.

The President probably will face strikes and demonstrations in coming months, but they would be unlikely to threaten the government's stability. Leftist groups have had little success in coordinating their efforts to harass the government, and they can be contained by the security forces.

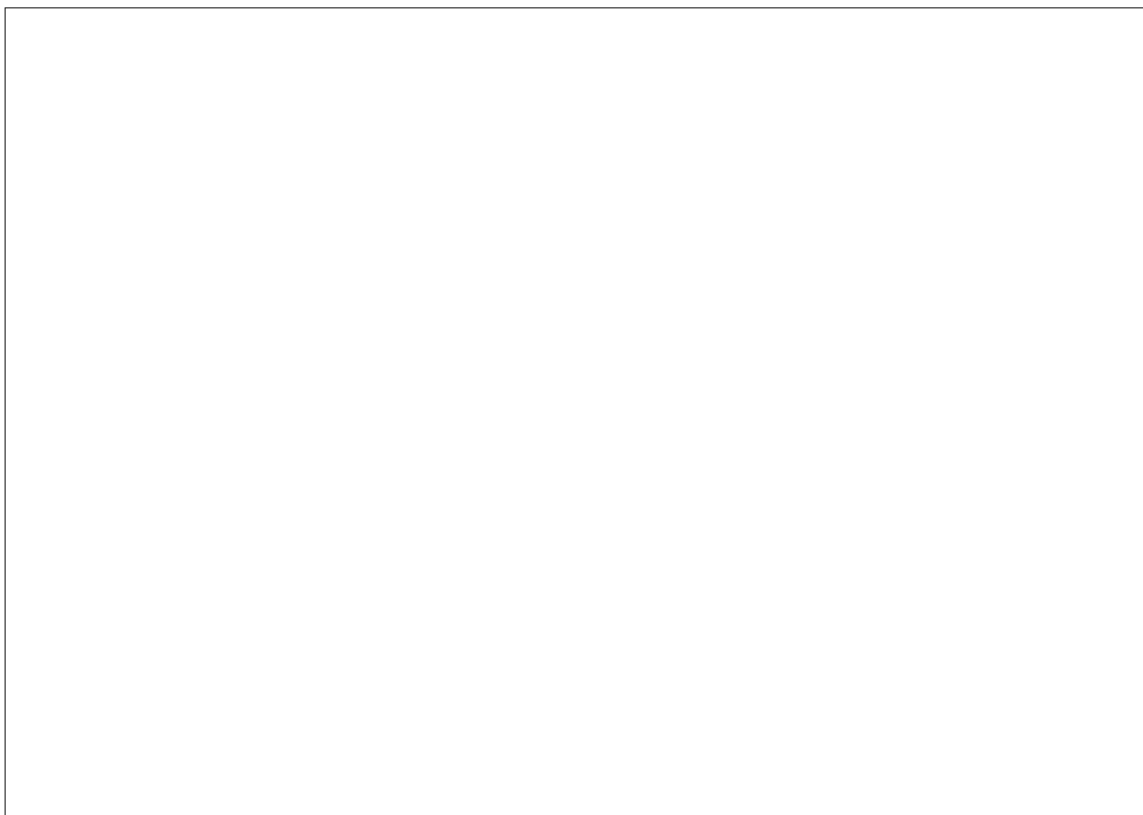
//Jorge Blanco's apprehension about Haiti reflects a historical concern, but he seems to be exaggerating the current situation there. Although Haiti's economic problems have provoked some discontent, there are no signs of serious unrest.//

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NETHERLANDS: Possible Delay in INF Preparations

//A Dutch official has informed the US Embassy that Defense Minister de Ruiter would like to wait until the middle of next year before making any decision on an INF basing site. Although the new government has yet to make an INF decision, it is pledged to proceed with preparations. The official said he realized that Washington would not welcome this news but hoped it would not be seen as a delaying tactic.//

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Comment: //De Ruiter is concerned that any early identification of the site would invite well-organized "peace" groups to conduct a lengthy campaign against deployment. He also is likely to fear that the selection of a site would lead to US pressure to begin basing preparations. The Dutch probably hope to delay their decision until September, when the government is to publish a 10-year defense study that includes plans for nuclear weapons. They are already behind schedule on their basing preparations, however, and any indication of further foot-dragging could have a negative impact on the public debate in other basing countries.//

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USSR: Poor Start for Winter Grain

//Prospects for the winter grain crop for 1983 have been hurt by near-drought conditions that have reduced the area sown and caused poor germination. Important winter grain areas in most of the North Caucasus, the southern Volga Valley, and the southeastern Ukraine have had extremely dry soil since planting began in September. The area sown this year is about 2 million hectares less than in 1981. [REDACTED]

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Comment: These areas usually produce over one-third of the total winter grain crop, but this year they have little chance of producing an average harvest. If the winter is harsh with inadequate snow cover, the crop will be particularly vulnerable to winterkill. [REDACTED]

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CZECHOSLOVAKIA: The Economic Reform Issue

An adviser to Premier Strougal has issued a call in the party's economic weekly for a public debate on policies that could reverse the decline of the economy. The adviser, who told US Embassy officers that Strougal had endorsed his views, criticized the overcentralized bureaucracy for stifling creative ideas and proposed greater decisionmaking by lower level managers. He also said that his article could not have been published six months ago. The party secretary for the economy revealed at a party plenum last month that a substantial number of senior economic officials have been fired. [REDACTED]

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Comment: Advocates of reform evidently are gaining strength in the leadership, which has been deeply divided on the issue. They may have been encouraged to press their views by the economy's continuing deterioration and possibly by a belief that Soviet leader Andropov will support greater economic reform. The outcome at this early stage is uncertain, but the debate and maneuvering in the leadership almost certainly will intensify. [REDACTED]

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LEBANON-SYRIA: Appeals to Damascus

//Continuing violence between pro- and anti-Syrian militias in Lebanon's northern port city of Tripoli has prompted both the Lebanese Government and local political leaders to call on Syria to resolve the fighting. President Jumayyil yesterday asked President Assad to help calm the situation by pulling back some Syrian and Palestinian troops from the area. On Tuesday a delegation from Tripoli made a separate demarche. In the meantime, a cease-fire has been worked out in Tripoli by a visiting Syrian delegation that included Foreign Minister Khaddam and Defense Minister Tlas.//

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Comment: //Although Jumayyil made a brief effort to deal directly with the problems in the Tripoli area by sending his security chief to investigate earlier in the week, he still has to rely on Syria to control the fighting. He also has relied on Israeli intervention to halt the outbreaks of violence in the Shuf region southeast of Beirut. Political leaders in Tripoli, who do not recognize the central government's authority, have periodically turned to Damascus for help in resolving conflicts since Syria intervened in Lebanon in 1976.//

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FRANCE-US-LEBANON: Joint Assistance Planned

//French officials have agreed to coordinate closely with the US on security assistance to Lebanon. The French indicate that they will take the lead on assisting the Lebanese Navy, Air Force, and Internal Security Force if the US concentrates on helping the Lebanese Army. They suggest that the Lebanese could use the \$85 million credit line offered by Paris to buy French patrol boats, helicopters, and light armored vehicles.//

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Comment: //French willingness to discuss security assistance for Lebanon with the US evidently reflects President Mitterrand's belief that traditional French interests in Lebanon can be maintained better by cooperating with Washington. Mitterrand probably believes that such cooperation could help offset differences with the US on other issues. He may be inclined, however, to play down such cooperation in public to avoid new claims by the left and right that he has allowed the US to gain more influence in Lebanon.//

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THAILAND: Successful Antinarcotics Operations

Recent Thai operations along the Burmese border have disrupted drug processing and trafficking by the Shan United Army. Thai ranger units with assistance from US-supported border security forces destroyed heroin refineries and--for the first time--large chemical storage sites in Burma. Heavy casualties were inflicted on the Shan United Army, which the US Embassy says last year accounted for over half the narcotics from the Golden Triangle. Daily interdiction operations by Thai forces are continuing to disrupt the trafficking. []

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Comment: The operations, which were conducted in the face of threats of reprisals by the Shan United Army, reflect new Thai determination to limit Shan activities. Burma appears willing to tolerate Thai operations and recently mounted a similar one against a smaller group. The loss of chemicals and supplies probably will disrupt the flow of heroin out of northern Thailand in the months ahead. []

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INDIA-US: Grain Purchases

[]
[] New Delhi buys almost all of its wheat from the US. This year it has bought 3.9 million tons for \$900 million, an increase of 1.5 million tons over last year.// []

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Comment: The Indian Government may purchase 500,000 tons of wheat from the EC or Canada in the next few months if the price is low. It probably will not buy more from the US until the next round of purchases begins in August. []

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Special Analysis

JORDAN-US: King Hussein's Visit

//King Hussein will visit Washington next week to discuss the US peace initiative and to work toward bridging the gap between it and the Fez peace plan. He wants to move ahead in the peace process, but he is being constrained in part by the risk of reprisals from other Arabs. The King nonetheless will want to determine more precisely the role the US envisions for Jordan and will look for signs of US determination to pursue its objectives despite Israeli opposition.// [redacted]

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//The US initiative has caused the King to consider possible new moves toward a settlement of the Palestinian issue. He is eager to exploit the opportunity the US plan presents, because he believes that time is running out for negotiations on the future of the West Bank.// [redacted]

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//Hussein requires a mandate from the PLO and moderate Arab backing, however, to pursue a peace settlement on behalf of the Palestinians. He is not prepared to disregard unilaterally the Arab summit decision of 1974--reaffirmed at the Fez summit last fall--that the PLO is the sole legitimate representative of the Palestinian people.// [redacted]

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Relations With the PLO

//For the last several months, Hussein has tried to reach an accommodation with the PLO. His efforts have been directed toward thawing relations that have remained essentially static since his forces expelled the Palestinian fighters in 1970-71.// [redacted]

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//Since October, Hussein has met twice with PLO chief Arafat. The King has worked hard to get a mandate to speak for the Palestinians and to gain Arafat's support for the US initiative. He also has tried to devise a formula for jointly pursuing peace before his visit to Washington so he can speak with more authority.// [redacted]

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[redacted] the PLO will not give Hussein a mandate to negotiate for the Palestinians. Instead, he will be authorized to explore with the US the possibility of a joint Jordanian-Palestinian negotiating team, composed of non-PLO Palestinians approved by the PLO, or an Arab delegation similar to the Fez followup committee with Palestinian representation.// [redacted]

//If the PLO does not work out an accommodation with the King, the US Embassy reports that some Jordanian Government officials believe Hussein may try to work separately with important West Bank and Gaza personalities. Hussein probably would not take this approach except as a last resort, because a settlement negotiated without the PLO's backing would be fragile.// [redacted]

//Palestinians of the West Bank and Gaza do not appear strong enough politically to challenge Arafat's leadership. Last month, for example, the mayor of Bethlehem failed to get substantial backing for a petition supporting unity with Jordan and the peace process.// [redacted]

Constraints on Hussein

//Hussein's vulnerability in the Arab world prevents him from making a precipitate move to join the peace process. He needs assurances of support from other Arab states and from the PLO before joining in.// [redacted]

//Without such support, the King almost certainly would face the same isolation in the Arab world that Egypt experienced after recognizing Israel in 1978. Hussein's actions also are restricted by Jordan's heavy dependence on Arab financial support and its military weakness in relation to its neighbors, particularly Syria.// [redacted]

//The Jordanian leader is deeply concerned about the strain in relations with Syria. He told US Embassy officials that he believes President Assad may encourage PLO combatants evacuated from Lebanon to infiltrate Jordan for strikes against Israel and the West Bank. In addition, the King worries that Assad may use his influence

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with the pro-Syrian PLO factions, including Saiqa and the Popular Front for the Liberation of Palestine-General Command, to scuttle any understandings Hussein may reach with Arafat.// [redacted]

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Looking to the US

//During his visit to Washington, Hussein will be looking for signs of US determination to persevere even in the face of Israeli intransigence and for assurance that the US can bring Israel to the negotiating table. He may use the issue of US arms sales to Jordan, which will be discussed this week at the Joint US-Jordanian Military Commission meetings, to test US willingness to confront Israel.// [redacted]

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//Hussein also is disturbed by Israeli Defense Minister Sharon's frequent statements about Jordan already being the Palestinian state, and the King will seek guarantees of US support, including possible new military aid. Although the US has publicly taken issue with Sharon's notion, Hussein and many other Jordanians still fear that Israel may turn its attention to Jordan once it has withdrawn its troops from Lebanon.// [redacted]

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//The King's complaints about Jordan's current financial straits are meant in large part to elicit US offers of increased aid. He is aware of the money the US has provided Egypt since the signing of the Camp David Accords, and he will view the size of US aid as an important barometer of Washington's commitment to Amman. Guarantees of Jordan's financial security alone, however, probably would not induce Hussein to join the peace process.// [redacted]

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